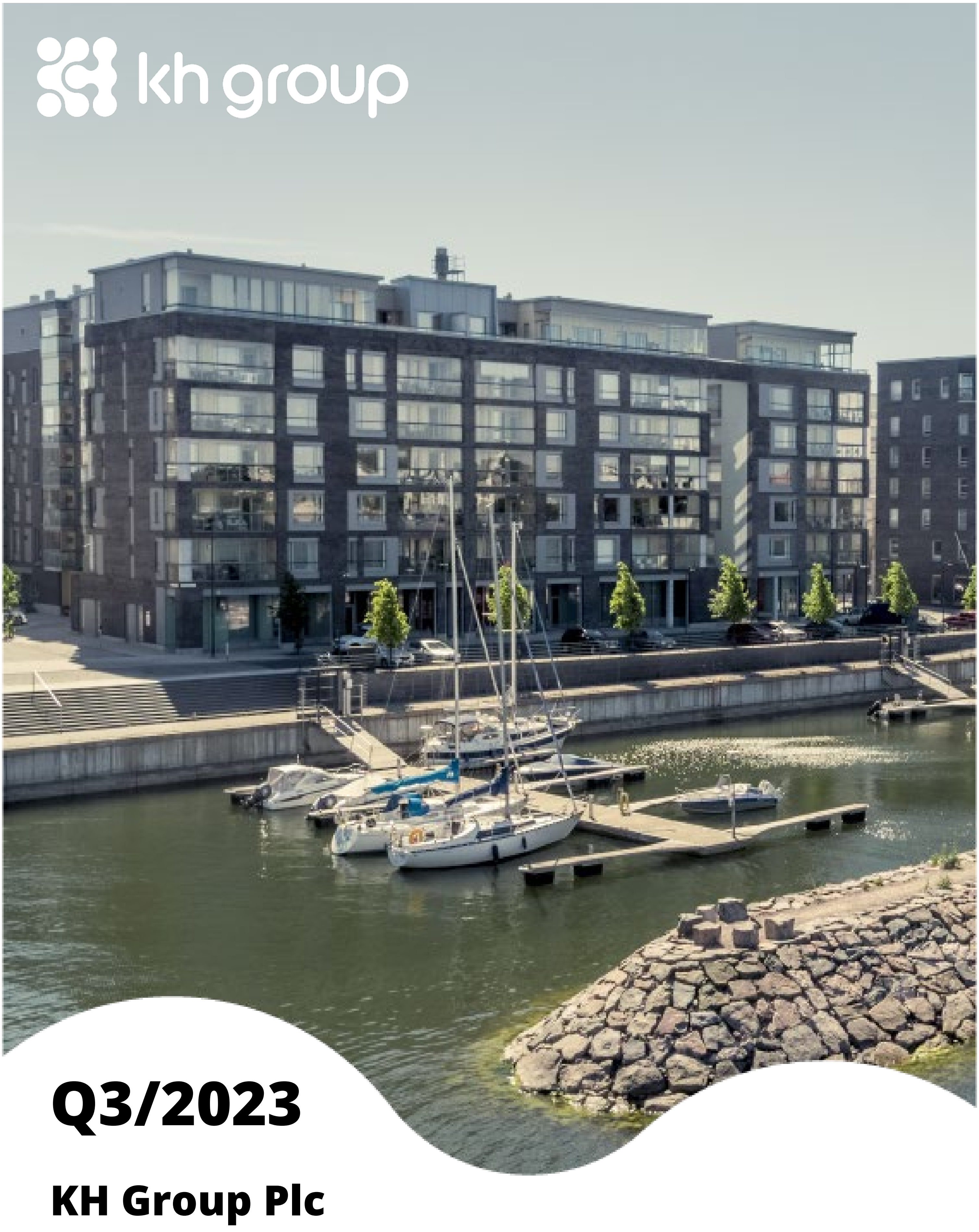

Q3/2023

KH Group Plc
Business Review

January–September 2023
1 November 2023

First quarter as a conglomerate

Based on the change in strategy announced on 15 December 2022, Sievi Capital Plc transformed its operations from a private equity investment company into a conglomerate on 4 May 2023 by a decision of the Annual General Meeting. In connection with this, the company's name was changed to KH Group Plc. The trading code of the share was previously SIEVI and was changed to KHG as a result of the change of the trade name on 10 May 2023.

KH Group's strategy will no longer include making private equity investments in new industries. The medium-term objective is to become an industrial group built around the KH-Koneet business. The development of other business areas will continue in the same way as before, and the aim is to divest them in line with the previous investment strategy.

KH Group did not previously consolidate the data of its subsidiaries into Group-level calculations line item by line item, but recognised investments in the companies at fair value through profit and loss. Starting from 1 May 2023, the Group has consolidated its subsidiaries into the income statement and balance sheet line item by line item. More information on the change in accounting principles and its significant effects on the reported figures is provided in the tables section.

The following unaudited pro forma financial figures have been prepared for illustrative purposes only. The pro forma figures aim to illustrate the comparable result of the segments and the Group if the change in investment entity status had taken place on 1 January 2022, and the companies that were part of the group structure on 30 September 2023 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2022 and 1 January–30 September 2023.

The unaudited pro forma figures are based on the subsidiaries' audited financial statements for the financial year 2022 and on unaudited accounting figures for the periods 1 January–30 September 2022 and 1 July–30 September 2023.

The segment and consolidated income statement comments have been prepared on the basis of pro forma figures, unless otherwise stated. The section "Pro forma financial information" presents more detailed accounting policies. KH Group has not drawn up pro forma figures for balance sheet and cash flow items.

PROFITABLE BUSINESS IN A CHALLENGING MARKET

KH Group, July–September 2023 pro forma

- Net sales amounted to EUR 100.4 (107.5) million.
- Operating profit was EUR 5.1 (6.0) million.
- The net sales of KH-Koneet significantly decreased year-on-year due to the weakened general market situation. Profitability was supported by operational efficiency improvement and the machinery leasing business.
- Indoor Group's net sales were nearly on a par with the corresponding period last year, and profitability improved when compared to the early part of the year.
- HTJ and NRG achieved profitable growth.
- The Group's cash and cash equivalents remained strong and amounted to EUR 19.4 million at the end of the review period. The parent company used cash proceeds from the Logistikas divestment to repay a bank loan of EUR 10 million in full.

Q3/2023 Business Review

January–September 2023

KH Group, January–September 2023 pro forma

- Net sales amounted to EUR 309.3 (323.2) million.
- Operating profit was EUR 7.3 (8.5) million.

KH Group, January–September 2023 reported IFRS

- Net sales amounted to EUR 172.5 (-) million. The figure includes net sales accumulated in May–September.
- Operating profit was EUR -16.1 (-8.5) million.
- Net profit for the period was EUR -12.1 (-6.9) million.
- Earnings per share (undiluted and diluted) were EUR -0.15 (-0.12).
- Equity per share at the end of the review period was EUR 1.39 (1.49).
- Return on equity for rolling 12 months was -16.1% (4.1%).
- Gearing at the end of the review period was 202.7% (13.8%).
- Gearing excluding lease liabilities was 80.2% (13.6%).

CEO Lauri Veijalainen:

I started as the CEO of KH Group and Indoor Group on 1 August 2023.

Our consolidated pro forma net sales declined slightly year-on-year, as did our operating profit. The challenging general market situation had an impact on the net sales of both KH-Koneet and Indoor Group. For KH-Koneet, net sales in Finland decreased significantly less than in its other main market, Sweden but nevertheless, KH-Koneet's profitability improved compared to the first half of the year. For Indoor Group, it was positive that the Sotka chain outperformed the market by a clear margin in terms of the development of net sales during the review period. The Insofa furniture factory's order book remained strong throughout the review period. Both of Indoor Group's chains continued to actively implement measures aimed at enhancing operational efficiency and improving profitability. These measures included increasing visitor volumes and sales, improving conversion rates, strengthening margins and maintaining careful cost control.

In October, Indoor Group Holding Oy received commitments from its largest shareholders regarding an additional investment totalling EUR 2.75 million to strengthen its balance sheet position. KH Group's share of the additional investment is EUR 2.1 million. The additional investment will be made by the end of December 2023.

For HTJ and Nordic Rescue Group, pro forma net sales and operating profit improved year-on-year. Nordic Rescue Group's operating profit turned positive during the review period. HTJ's performance was supported by the growth of the project portfolio and the acquisitions made in 2022–2023. Nordic Rescue Group's business now has a much better foundation after the Group ceased the loss-making rescue lift business at the end of last year. The demand for rescue vehicles in Finland and Sweden has remained stable.

In the fourth quarter, we will continue our development efforts across our business areas, many of which are focusing on operational efficiency. At the same time, we will continue to move forward with KH Group's change in strategy as planned.

Financial performance

KH Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures".

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net sales	100.4	107.5	309.3	323.2	441.3
Pro forma EBITDA (1)	**13.8**	**14.0**	**32.6**	**31.5**	**43.1**
EBITDA, %	13.7%	13.1%	10.6%	9.8%	9.8%
Pro forma operating profit (EBIT)	**5.1**	**6.0**	**7.3**	**8.5**	**12.2**
Operating profit (EBIT), %	5.1%	5.6%	2.4%	2.6%	2.8%
Pro forma profit before taxes	**2.8**	**4.1**	**-1.0**	**3.0**	**4.5**

(1) EBITDA = operating profit + depreciation and amortisation

KH Group, July–September, pro forma

KH Group's pro forma net sales amounted to EUR 100.4 (107.5) million, representing a year-on-year decline of 7%. Net sales increased in HTJ and Nordic Rescue Group, and decreased in KH-Koneet and Indoor Group. Operating profit for the review period came to EUR 5.1 (6.0) million. The operating profit margin decreased by 0.5 percentage points to 5.1%. All segments recorded a positive operating profit. The parent company's share of the operating profit for the review period was EUR -0.8 (-0.3) million. The factors contributing to the parent company's increased operating expenses include project expenses associated with the change in strategy and non-recurring items related to organisational restructuring, which totalled EUR 0.5 million for the review period.

In spite of the challenging market and resulting decrease in net sales, we managed to maintain operating profit close to the previous year's level. The Group's pro forma profit before taxes for the review period was positive by a clear margin.

KH Group, January–September, pro forma

KH Group's net sales decreased by 4% to EUR 309.3 (323.2) million. Net sales increased in HTJ and Nordic Rescue Group, and decreased in KH-Koneet and Indoor Group. Operating profit was positive in all business segments. Of the segments, Nordic Rescue Group and HTJ improved their operating profit year-on-year, and their profitability has turned positive by a clear margin. The parent company's share of the operating profit for the review period was EUR -2.2 (-1.4) million. The factors contributing to the parent company's increased operating expenses include project expenses and non-recurring items associated with the change in strategy, which totalled EUR 0.8 million for the review period.

Segments

KH-Koneet

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures".

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net sales	35.0	45.6	124.6	142.7	194.5
Pro forma EBITDA (1)	**5.2**	**5.3**	**15.2**	**15.6**	**21.2**
EBITDA, %	14.8%	11.7%	12.2%	10.9%	10.9%
Pro forma operating profit (EBIT)	**2.0**	**2.6**	**6.2**	**7.9**	**10.8**
Operating profit (EBIT), %	5.9%	5.7%	5.0%	5.5%	5.6%

(1) EBITDA = operating profit + depreciation and amortisation. The most significant difference between the previously reported FAS EBITDA and pro forma EBITDA is the treatment of leases in accordance with IFRS 16.

KH-Koneet is one of the leading construction and earth-moving machinery suppliers in the Nordic countries. The company sells and rents out a comprehensive range of machinery, equipment and services for needs related to earthworks, property maintenance and material handling. The brands represented by KH-Koneet include Kobelco, Kramer, Wacker Neuson and Yanmar.

The net sales of KH-Koneet decreased by 23% year-on-year. The main reason for the change was the sharp decline in demand in both operating countries. The development of operations in Finland was better than the market as a whole, supported by the property maintenance sector, and operations in Sweden developed in line with the overall machinery market. Particularly, the Swedish market was negatively affected by the combination of rapidly rising prices and interest rates, the historically weak Swedish krona and the general slowdown in the construction sector.

KH-Koneet's relative EBITDA for the reporting period improved to nearly 15%, representing an increase of three percentage points. However, this was not sufficient to compensate for the effect of lower net sales, as the segment's operating profit for the reporting period decreased to EUR 2.0 (2.6) million. The improved relative profitability was particularly due to KH-Koneet's buffer stocks, which meant that the general rise in prices was not fully reflected in KH-Koneet's purchase prices. KH-Koneet monitors costs closely and assesses the appropriateness of fixed expense items on a continuous basis.

Availability problems have largely abated due to the declining demand in the European machinery market. This will enable KH-Koneet to carry out a controlled reduction of its inventory levels going forward.

Indoor Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures". Indoor Group reports its figures according to IFRS, and the pro forma figures presented in the Business Review correspond to the figures reported by the company.

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net sales	50.6	52.3	138.2	145.1	192.2
Pro forma EBITDA (1)	**7.8**	**8.7**	**15.7**	**15.5**	**20.3**
EBITDA, %	15.4%	16.7%	11.4%	10.7%	10.6%
Pro forma operating profit (EBIT)	**2.6**	**3.8**	**0.5**	**1.1**	**1.0**
Operating profit (EBIT), %	5.1%	7.2%	0.3%	0.7%	0.5%

(1) EBITDA = operating profit + depreciation and amortisation

Indoor Group's Asko and Sotka chains are among Finland's best-known home furniture and interior decoration retailers. In addition to the retail chains, the Group includes the furniture factory Insofa. Asko and Sotka have approximately 90 physical stores as well as online stores in Finland and Estonia.

Indoor Group's market environment continues to be characterised by the sharp rise in interest rates, inflation and cautious purchasing behaviour by consumers, which have been negatively reflected in Indoor Group's demand. The challenges associated with the development of Asko's sales continued during the review period. Sotka's development has remained positive, also with regard to online sales. Indoor Group has continued to carry out efficiency improvement measures by seeking cost savings and significantly improving the efficiency of working capital, for example. The company began to actively optimise its inventory in early 2022, which has had a positive effect on cash flow.

The company's pro forma net sales declined by 3% year-on-year in July–September, while pro forma operating profit decreased by EUR 1.2 million. The gross margin percentage also decreased year-on-year. Indoor Group's fixed expenses decreased slightly year-on-year, mainly due to a decrease in personnel expenses following the change negotiations held in autumn 2022, and the expenses associated with the ERP renewal project being lower than in the comparison period. IFRS expenses recognised during the review period in connection with the ERP project amounted to EUR 0.4 million, which is EUR 0.2 million less than in the comparison period. The costs of the ERP project are expected to decrease in the second half of 2023 as the project has progressed into its final stage. The system is expected to be deployed in production use in 2024.

At the end of September, the company's cash and cash equivalents amounted to EUR 16.0 (10.9) million, and the company's committed revolving credit facility of EUR 9.0 million was completely undrawn. Due to the company's weak financial performance, it did not meet the financial covenants of its financing agreement as of June and September 2023. However, after the end of the review period, Indoor Group received a waiver from the financing provider to deviate from the covenant terms of the financing agreement.

After the review period, KH Group and the other shareholders committed to making an additional investment totalling EUR 2.75 million to strengthen Indoor Group's balance sheet position. The additional investment will be made by the end of December 2023.

This year, the company will continue to implement measures aimed at improving profitability by, for example, improving the efficiency of marketing and optimising the retail network, which includes relocating stores to more commercial locations and closing stores that have low profitability. The product range and sales planning will also be developed to better correspond to demand.

HTJ

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures".

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net sales	6.5	5.8	19.7	16.4	23.1
Pro forma EBITDA (1)	**1.1**	**0.8**	**2.5**	**2.3**	**3.4**
EBITDA, %	17.4%	14.3%	12.6%	13.8%	14.9%
Pro forma operating profit (EBIT)	**1.0**	**0.7**	**2.0**	**1.8**	**2.8**
Operating profit (EBIT), %	14.7%	11.6%	9.9%	11.0%	12.2%

(1) EBITDA = operating profit + depreciation and amortisation. The most significant difference between the previously reported FAS EBITDA and pro forma EBITDA is the treatment of leases in accordance with IFRS 16.

HTJ is one of the leading construction consulting companies in Finland and offers its customers a wide range of expert services in construction management, site supervision, energy and environmental consulting and project management. The company employs over 200 experts and serves customers across Finland.

The construction cycle in Finland has weakened, and the challenges in the operating environment are also reflected in HTJ's business. Nevertheless, the development of the company's key customer segments in infrastructure construction and public sector premises – which represent over 60% of net sales – has been more stable when compared to other construction. The lower construction volume is reflected in intensified competition for projects, and the uncertainty in the market has led to the start of some projects being postponed. Tendering activity was high during the review period, but the order book at the end of September was slightly lower than in the comparison period.

HTJ's pro forma net sales for the review period increased by 12% year-on-year. The growth of net sales was supported by an acquisition made in April, but net sales also grew organically due to additional recruitment. Profitability improved, and operating profit for the review period came to EUR 1.0 million. The invoicing rate was successfully increased during the review period to a level that is higher than in the comparison period. This was supported by efficient resource allocation. Nevertheless, the invoicing rate for January–September is slightly lower than in the previous year.

HTJ is determined to continue executing its growth strategy through targeted recruitment and by assessing acquisition opportunities. In addition, the service offering in the energy and environmental segment was expanded during the review period. Due to the weakened market outlook, the focus of operations is on public sector projects, the development of long-term customer relationships and the efficient resource utilisation.

Nordic Rescue Group

Pro forma key figures

The accounting principles applied in preparing the pro forma figures are presented later in the report under "Pro forma financial figures".

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net sales	8.2	3.8	26.9	19.0	31.5
Pro forma EBITDA (1)	**0.4**	**-0.6**	**1.4**	**-0.5**	**0.3**
EBITDA, %	5.4%	-14.4%	5.4%	-2.6%	0.8%
Pro forma operating profit (EBIT)	**0.3**	**-0.7**	**1.0**	**-0.8**	**-0.2**
Operating profit (EBIT), %	3.5%	-17.5%	3.7%	-4.4%	-0.7%

(1) EBITDA = operating profit + depreciation and amortisation. The most significant difference between the previously reported FAS EBITDA and pro forma EBITDA is the treatment of leases in accordance with IFRS 16.

Nordic Rescue Group is a leading rescue vehicle supplier in the Nordic countries. The company operates in Finland under the name Saurus and in Sweden under the name Sala Brand.

The market environment for rescue vehicles in Finland and Sweden has remained stable. Demand in the home market has remained steady, and tendering activity is high in selected export markets. The order book was higher than in the comparison period in both Finland and Sweden. Supply chains have also recovered and, during the review period, the delivery times of both chassis and components have mostly been predictable, which has supported Nordic Rescue Group's production planning.

Net sales have developed favourably, and net sales for the review period exceeded the comparison period's pro forma level by a clear margin. Net sales have increased in both operating countries, and maintenance and spare parts services also grew during the review period. Profitability has also improved substantially. Operating profit was EUR 0.3 million, representing an improvement over EUR 0.7 million negative operating profit in the comparison period. The improved profitability has been driven by positive development in both Finland and Sweden in spite of the weakened Swedish krona, which weighed down the result. Administrative expenses were also significantly lower than in the comparison period due to the streamlining of the administrative organisation in 2023.

In addition to the positive financial performance, the company's balance sheet during the review period was strengthened by an advance disbursement of approximately EUR 0.5 million from the Vema Lift bankruptcy estate. The company's remaining receivables from the bankruptcy estate are estimated to amount to approximately EUR 1.0 million. In May 2023, KH Group and the other shareholders also made a commitment to an additional investment totalling EUR 1.5 million, which will be made in installments by the end of June 2024. KH Group's share of the additional investment is EUR 0.75 million (50%).

During the review period, the company continued to take measures to improve production efficiency. The measures include investments in part fabrication and product data management, among other things. The company's administration has been streamlined to correspond to the smaller group structure after ceasing the rescue lift business.

Financial position and cash flow

KH Group's balance sheet total on 30 September 2023 was EUR 366.1 (109.8) million. The equity ratio was 22.8% (78.8%) and gearing was 202.7% (13.8%). Excluding lease liabilities, gearing was 80.2% (13.6%). These balance sheet indicators are not comparable due to the change in reporting. The comparable balance sheet total for the first half of the year, on 30 June 2023, was EUR 377.0 million, the equity ratio was 23.8%, gearing was 187.7%, and gearing excluding lease liabilities was 80.6%.

At the beginning of the review period, the parent company had a bank loan of EUR 10 million, which was repaid in full at the beginning of July. Cash proceeds from the Logistikas divestment were used to repay the loan. Following the repayment of the loan, the Group's parent company has no loans from financial institutions. The Group's cash and cash equivalents amounted to EUR 19.4 million at the end of the review period.

In the first half of the year, Nordic Rescue Group reached an agreement with its financing provider on amendments to the financing agreement. In connection with this, KH Group and the other shareholders made a commitment to an additional investment in the company totalling EUR 1.5 million. KH Group's share of the additional investment is EUR 0.75 million (50%), and the investment will be made in installments by the end of June 2024. The additional investment and amendments to the financing agreement strengthen Nordic Rescue Group's balance sheet position after ceasing the rescue lift business. The company's receivables from the Vema Lift bankruptcy estate decreased to EUR 1.0 million, with payment of the remaining receivables expected gradually in the latter part of 2023 and in 2024.

Due to Indoor Group's weak financial performance, it did not meet the financial covenants of its financing agreement as of September 2023. However, after the end of the review period, Indoor Group received the consent of the financing provider to deviate from the covenant terms of the financing agreement. After the review period, Indoor Group received commitments from its largest shareholders regarding an additional investment totalling EUR 2.75 million to strengthen its balance sheet position. KH Group Plc's share of the additional investment is EUR 2.1 million. The additional investment will be made by the end of December 2023.

Net cash flow from operating activities amounted to EUR 21.5 (-3.5) million, net cash flow from investing activities to EUR 27.9 (0.0) million and net cash flow from financing activities to EUR -32.3 (4.4) million. Cash flow from operating activities was particularly affected by Indoor Group's positive change in working capital. Cash flow from investing activities includes an increase of EUR 16.3 million to the cash and cash equivalents of subsidiaries arising from a change in consolidation principles on 1 May 2023, and the net cash consideration of EUR 11.9 million received for the sale of Logistikas. During the review period of July–September, the net cash flow generated by conglomerate's operating activities was EUR 12.9 million. Net cash flow from investing activities amounted to EUR -0.2 million and net cash flow from financing activities to EUR -19.7 million. Cash flow from financing activities for the review period includes, in addition to repayments of lease liabilities, the parent company's repayment of a bank loan of EUR 10.0 million and Indoor Group's loan amortisation of EUR 9.0 million.

Personnel

Personnel, average	30 Sep. 2023	31 Dec. 2022	30 Sep. 2022
KH-Koneet	201	198	194
Indoor Group (1)	795	744	840
HTJ	220	200	198
Nordic Rescue Group (2)	105	117	116
Parent company	5	6	5
Group, total	**1,326**	**1,265**	**1,353**

(1) For Indoor Group, the FTE figure is used due to the large number of part-time employees.

(2) Does not include the personnel of Vema Lift Oy, which filed for bankruptcy during the financial year 2022.

Events after the review period

KH Group's group company Indoor Group Holding Oy received commitments in October from its largest shareholders regarding additional investment totalling EUR 2.75 million to strengthen its balance sheet position. KH Group Plc's share of the additional investment is EUR 2.1 million. The additional investment will be made by the end of December 2023.

Future outlook

KH Group's medium-term objective is to become an industrial group built around the KH-Koneet business and to divest other business areas in line with previous strategy. At the same time, active developments will continue regarding other business areas. Exit planning and the assessment of exit opportunities for the other business areas will also continue.

In accordance with KH Group's current financial guidance practices, the company does not issue a separate Group-level financial guidance. KH Group's strategy and financial targets will be presented at the Capital Markets Day to be held on 29 November 2023.

Helsinki, 31 October 2023

KH Group Plc
Board of Directors

Pro forma financial figures

The following unaudited pro forma financial figures have been prepared for illustrative purposes only. The pro forma figures aim to illustrate the comparable result of the segments and the Group if the change in investment entity status had taken place on 1 January 2022, and the companies that were part of the group structure on 30 September 2023 had been consolidated into the income statement line item by line item for the periods 1 January–31 December 2022 and 1 January–30 September 2023.

The unaudited pro forma figures are based on the subsidiaries' audited financial statements for the financial year 2022 and on unaudited accounting figures for the periods 1 January–30 September 2022 and 1 January–30 September 2023.

The presented pro forma figures include comparable net sales, EBITDA, operating profit and profit before taxes for the consolidated group and segments. The consolidated figures include the subsidiaries' transactions as if the consolidation had commenced on 1 January 2022. Intra-group transactions have been eliminated. The pro forma figures do not include the Logistikas business, which was divested in 2023, and the Nordic Rescue Group's subsidiary Vema Lift Oy, which filed for bankruptcy in 2022. The historical financial figures of Indoor Group and KH Group Plc were previously drawn up in compliance with the IFRS standards. The historical financial figures of KH-Koneet, Nordic Rescue Group and HTJ were drawn up in compliance with the Finnish Accounting Standards ("FAS"). In the pro forma figures, the FAS accounting figures for the subsidiaries have been adjusted to be in line with IFRS principles, the parent company's fair value entries have been reversed, and the effect of discontinued operations has been adjusted for as follows:

- The net sales figures do not include the Logistikas business divested in 2023 and the Nordic Rescue Group subsidiary Vema Lift Oy, which filed for bankruptcy in 2022.
- EBITDA has been adjusted to eliminate the discontinued operations, fair value changes of the parent company's investments in subsidiaries, and lease expenses recognised in FAS accounting, which are not recognised in EBITDA in accordance with IFRS 16.
- Operating profit has been adjusted to eliminate discontinued operations, the parent company's fair value entries, and FAS lease expenses. Depreciation of leases in accordance with IFRS 16 has been added to operating profit.
- Profit before taxes has been adjusted to eliminate discontinued operations, the parent company's fair value entries, and FAS lease expenses. IFRS 16 depreciation and interest expenses according to IFRS 16 have been added to profit before taxes.

Pro forma income statements

EUR million	Pro forma 7–9/2023	Pro forma 7–9/2022	Pro forma 1–9/2023	Pro forma 1–9/2022	Pro forma 1–12/2022
Net sales					
KH-Koneet	35.0	45.6	124.6	142.7	194.5
Indoor Group	50.6	52.3	138.2	145.1	192.2
Nordic Rescue Group	8.2	3.8	26.9	19.0	31.5
HTJ	6.5	5.8	19.7	16.4	23.1
Non-allocated	0.0	0.0	0.0	0.0	-
Group	**100.4**	**107.5**	**309.3**	**323.2**	**441.3**

EUR million	Pro forma 7–9/2023	Pro forma 7–9/2022	Pro forma 1–9/2023	Pro forma 1–9/2022	Pro forma 1–12/2022
EBITDA					
KH-Koneet	5.2	5.3	15.2	15.6	21.2
Indoor Group	7.8	8.7	15.7	15.5	20.3
Nordic Rescue Group	0.4	-0.6	1.4	-0.5	0.3
HTJ	1.1	0.8	2.5	2.3	3.4
Non-allocated	-0.8	-0.3	-2.2	-1.3	-2.1
Group	**13.8**	**14.0**	**32.6**	**31.5**	**43.1**
EBITDA %					
KH-Koneet	14.8%	11.7%	12.2%	10.9%	10.9%
Indoor Group	15.4%	16.7%	11.4%	10.7%	10.6%
Nordic Rescue Group	5.4%	-14.4%	5.4%	-2.6%	0.8%
HTJ	17.4%	14.3%	12.6%	13.8%	14.9%
Non-allocated	-	-	-	-	-
Group	**13.7%**	**13.1%**	**10.6%**	**9.8%**	**9.8%**
Depreciation					
KH-Koneet	-3.1	-2.7	-9.0	-7.7	-10.4
Indoor Group	-5.2	-5.0	-15.3	-14.5	-19.3
Nordic Rescue Group	-0.2	-0.1	-0.5	-0.3	-0.5
HTJ	-0.2	-0.2	-0.5	-0.5	-0.6
Non-allocated	0.0	0.0	-0.1	-0.1	-0.1
Group	**-8.7**	**-8.0**	**-25.3**	**-23.1**	**-30.9**
Operating profit (EBIT)					
KH-Koneet	2.0	2.6	6.2	7.9	10.8
Indoor Group	2.6	3.8	0.5	1.1	1.0
Nordic Rescue Group	0.3	-0.7	1.0	-0.8	-0.2
HTJ	1.0	0.7	2.0	1.8	2.8
Non-allocated	-0.8	-0.3	-2.2	-1.4	-2.2
Group	**5.1**	**6.0**	**7.3**	**8.5**	**12.2**
Operating profit (EBIT) %					
KH-Koneet	5.9%	5.7%	5.0%	5.5%	5.6%
Indoor Group	5.1%	7.2%	0.3%	0.7%	0.5%
Nordic Rescue Group	3.5%	-17.5%	3.7%	-4.4%	-0.7%
HTJ	14.7%	11.6%	9.9%	11.0%	12.2%
Non-allocated	-	-	-	-	-
Group	**4.8%**	**5.7%**	**6.9%**	**8.0%**	**2.8%**

EUR million	Pro forma 7–9/2023	Pro forma 7–9/2022	Pro forma 1–9/2023	Pro forma 1–9/2022	Pro forma 1–12/2022
Financial items, net					
KH-Koneet	-0.6	-0.8	-3.2	-2.3	-3.2
Indoor Group	-1.1	-0.8	-3.3	-2.2	-3.1
Nordic Rescue Group	-0.2	-0.2	-0.9	-0.6	-0.8
HTJ	-0.2	-0.1	-0.5	-0.2	-0.4
Non-allocated	-0.2	0.0	-0.4	-0.1	-0.2
Group	**-2.2**	**-1.9**	**-8.4**	**-5.4**	**-7.6**
Profit before taxes					
KH-Koneet	1.4	1.8	3.0	5.6	7.6
Indoor Group	1.5	2.9	-2.9	-1.2	-2.1
Nordic Rescue Group	0.1	-0.8	0.1	-1.5	-1.0
HTJ	0.8	0.6	1.5	1.5	2.4
Non-allocated	-1.0	-0.4	-2.7	-1.5	-2.4
Group	**2.8**	**4.1**	**-1.0**	**3.0**	**4.5**

Tables

Accounting principles

This is not an interim report prepared in accordance with IAS 34. The company complies with semiannual reporting in accordance with the Securities Markets Act and discloses business reviews for the first three and nine months of the year, which present key information regarding the company's financial performance. The financial information presented in this Business Review has not been audited.

The preparation of a Business Review requires the use of management estimates and assumptions, which affects the amounts of assets and liabilities on the balance sheet, as well as income and expenses. Although the estimates are based on the management's best current knowledge, it is possible that the actual outcomes differ from the estimates and assumptions used.

The Business Review is prepared in euros, which is the company's operating currency and the reporting currency of the company and the Group. All figures are presented in millions of euros (EUR million) and rounded to the nearest EUR 0.1 million. Consequently, the sum of individual figures may deviate from the presented amounts.

Change of investment entity status and commencing the consolidation of subsidiaries

KH Group prepared its previous financial statements and interim reports as an IFRS 10 investment entity whose investments in subsidiaries were treated as financial instruments and measured at fair value through profit and loss. On 4 May 2023, in accordance with the proposal of the Board of Directors, the Annual General Meeting resolved to change the company name and line of business and amend the Articles of Association to be in line with the change in strategy from private equity investment company into a conglomerate announced on 15 December 2022.

KH Group deems that it ceased to be an investment entity on 1 May 2023 and, from that date onwards, has consolidated its subsidiaries into the consolidated financial statements by applying the IFRS 3 acquisition method of accounting. The date on which the investment entity status changed, 1 May 2023, is considered to be the acquisition date of the subsidiaries in accordance with IFRS 3. The fair value of the subsidiary on the acquisition date is deemed to represent the assumed consideration paid when determining the goodwill arising from the acquisition. The accounting principles are described in more detail in the note “Business combinations”.

The material effects of the change in investment entity status on the consolidated income statement, consolidated balance sheet and consolidated cash flow are described below.

Consolidated income statement

The consolidated income statement for the period 1–9/2023 includes both the period 1–4/2023, during which the parent company, as an investment entity, recognised its investments at fair value through profit and loss, and the period 5–9/2023, during which the subsidiaries were consolidated line item by line item in accordance with the acquisition cost method. Consequently, the subsidiaries' income statements for the period 1–4/2023 have not been consolidated into the consolidated income statement line item by line item.

The change in the value of the investments during the period 1–4/2023 was the EUR -2.2 million reported in the Q1/2023 Business Review, and there were no changes in value in April 2023.

The Logistikas business is presented in the income statement as a discontinued operation in a single line.

Consolidated balance sheet

After the date on which the investment entity status changed, subsidiaries have been consolidated into the consolidated balance sheet line item by line item in accordance with the acquisition cost method, and the parent company's investments previously recognised at fair value through profit and loss have been eliminated as shares in subsidiaries. The subsidiaries' assets and liabilities on the date consolidation began are described in more detail in the Half-Year Report published on 17 August 2023. A non-controlling interest was also created in consolidated equity in connection with the change of investment entity status.

Consolidated cash flow statement

The consolidated cash flow statement for the period 1–9/2023 includes both the period 1–4/2023, during which the cash flow statement consisted of the parent company's cash flow, and the period 5–9/2023, during which the subsidiaries were consolidated line item by line item. The subsidiaries' cash and cash equivalents on 1 May 2023 are included in cash flow from investing activities, as the change in the consolidation principle is treated as an IFRS 3 acquisition without paid cash consideration.

Consolidated income statement, IFRS

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net sales	**100.4**	**-**	**172.5**	**-**	**-**
Other operating income	0.9	-	1.5	-	-
Materials and services	-72.0	-	-126.1	-	-
Personnel expenses	-16.9	-0.1	-29.5	-0.8	-1.2
Other operating expenses	-9.7	-0.1	-16.8	-0.6	-0.9
Unrealised changes in fair values of investment	-	-2.9	-2.2	-7.1	-7.9
Depreciation, amortisation and impairment	-9.3	0.0	-15.4	-0.1	-0.1
Operating profit/loss	**-6.8**	**-3.2**	**-16.1**	**-8.5**	**-10.1**
Financial income	0.4	0.0	0.7	-	-
Financial expenses	-2.5	0.0	-5.6	-0.1	-0.2
Profit before taxes	**-8.9**	**-3.2**	**-21.0**	**-8.6**	**-10.3**
Income taxes	2.2	0.7	4.1	1.7	2.1
Profit from continuing operations	**-6.7**	**-2.6**	**-16.8**	**-6.9**	**-8.2**
Profit from discontinued operations	0.1	-	4.7	-	-
Net profit for the period	**-6.8**	**-2.6**	**-12.1**	**-6.9**	**-8.2**
Distribution of the net profit for the period:					
Parent company shareholders	-3.6	-2.6	-9.0	-6.9	-8.2
Non-controlling interest	-3.2	-	-3.1	-	-
Earnings per share					
Continuing operations, €					
Undiluted	-0.6	-0.04	-0.24	-0.12	-0.14
Diluted	-0.6	-0.04	-0.24	-0.12	-0.14
Discontinued operations, €					
Undiluted	0.0	-	0.08	-	-
Diluted	0.0	-	0.08	-	-
Continuing and discontinued operations, €					
Undiluted	-0.6	-0.04	-0.15	-0.12	-0.14
Diluted	-0.6	-0.04	-0.15	-0.12	-0.14

Consolidated statement of comprehensive income, IFRS

EUR million	7–9/2023	7–9/2022	1–9/2023	1–9/2022	1–12/2022
Net profit for the period	**-6.8**	**-2.6**	**-12.1**	**-6.9**	**-8.2**
Comprehensive income items that may be later recognised through profit and loss					
Translation differences	-0.1	-	0.0	-	-
Consolidated statement of comprehensive income, total	**-6.8**	**-2.6**	**-12.1**	**-6.9**	**-8.2**
Distribution					
Parent company shareholders	-3.6	-2.6	-8.9	-6.9	-8.2
Non-controlling interest	-3.2	-	-3.2	-	-

Consolidated balance sheet, IFRS

EUR million	30 Sep 2023	30 Jun 2023	30 Sep 2022	31 Dec 2022
Assets				
Non-current assets				
Goodwill	37.7	37.7	-	-
Intangible assets	64.9	65.3	-	-
Property, plant and equipment	9.3	10.4	-	-
Right-of-use assets	98.7	93.3	0.2	0.1
Investments at fair value through profit and loss	-		-	102.4
Other financial assets	0.8	0.8	-	-
Deferred tax assets	5.8	5.2	3.8	4.5
Non-current assets, total	**217.1**	**212.7**	**106.9**	**107.0**
Current assets				
Inventories	103.4	111.8	-	-
Trade receivables	20.3	18.8	-	-
Accrued income and other receivables	6.0	7.3	0.1	0.1
Cash and cash equivalents	19.4	26.4	2.8	2.2
Current assets, total	**149.0**	**164.3**	**2.8**	**2.3**
Assets, total	**366.1**	**377.0**	**109.7**	**109.3**
Shareholders' equity and liabilities				
Equity attributable to equity holders of the parent company				
Share capital	15.2	15.2	15.2	15.2
Reserve for invested unrestricted equity	12.9	12.9	12.9	12.9
Translation differences	0.0	0.1	-	-
Retained earnings	48.1	53.4	58.5	57.1
Equity attributable to the owners of the parent company	**76.2**	**81.6**	**86.5**	**85.2**
Non-controlling interest	4.8	6.2	-	-
Total equity	**81.0**	**87.8**	**86.5**	**85.2**
Non-current liabilities				
Loans from financial institutions	35.5	45.5	10.0	9.9
Lease liabilities	68.8	64.7	0.1	-
Other non-current financial liabilities	2.5	2.5	4.6	4.8
Deferred tax liabilities	13.3	15.7	8.2	8.5
Non-current liabilities, total	**120.1**	**128.4**	**22.8**	**23.2**
Current liabilities				
Loans from financial institutions	42.8	45.7	-	-
Lease liabilities	30.5	28.7	0.1	0.1
Advances received	10.7	8.5	-	-
Trade and other liabilities	81.0	77.8	0.3	0.8
Current liabilities, total	**165.0**	**160.8**	**0.4**	**0.9**
Liabilities, total	**285.1**	**289.2**	**23.2**	**24.2**
Shareholders' equity and liabilities, total	**366.1**	**377.0**	**109.7**	**109.3**

Consolidated cash flow statement, IFRS

EUR million	1–9/2023	7–9/2023	1–6/2023	1–9/2022	1–12/2022
Net cash flow from operating activities	**21.5**	**12.9**	**8.7**	**-3.5**	**-3.9**
Net cash flow from investing activities	**27.9**	**-0.2**	**28.1**	**-**	**-**
Net cash flow from financing activities	**-32.3**	**-19.7**	**-12.6**	**4.4**	**4.3**
Change in cash and cash equivalents	**17.1**	**-7.0**	**24.2**	**0.9**	**0.4**
Cash and cash equivalents at the beginning of the period	**2.2**	**26.4**	**2.2**	**1.8**	**1.8**
Cash and cash equivalents at the end of the period	**19.4**	**19.4**	**26.4**	**2.8**	**2.2**

Business combinations

Accounting principles

KH Group deems that it ceased to be an investment entity on 1 May 2023 and, from that date onwards, has consolidated its subsidiaries into the consolidated financial statements by applying the IFRS 3 acquisition method of accounting. Previously, subsidiaries were measured at fair value through profit and loss in accordance with IFRS 10. The date on which the investment entity status changed, 1 May 2023, is considered to be the acquisition date in accordance with IFRS 3, and the fair value on the acquisition date of a subsidiary, less deferred taxes related to unrealised changes in value, is deemed to represent the assumed consideration paid when determining the goodwill arising from the acquisition. More detailed consolidation principles are presented below.

The Group consists of the parent company and all companies in which KH Group exercises control. KH Group is deemed to exercise control when KH Group is exposed to the variable returns of a target company or has rights to the variable returns of a target company, and it has the ability to affect those returns by exercising control over the target company.

All intra-group transactions, receivables and liabilities, as well as gains and losses from transactions between subsidiaries, are eliminated as part of the consolidation process. Non-controlling interests in subsidiaries are presented in the consolidated balance sheet as part of equity, separately from the equity attributable to the shareholders. The non-controlling interests' share of the net profit for the period is separately indicated in the consolidated income statement. The goodwill arising from the acquisition of foreign units and fair value adjustments made in connection with the acquisition of the foreign units in question are treated as assets and liabilities of the foreign units in question and translated into euros at the exchange rate on the financial statements date.

Intra-group shareholdings are eliminated using the acquisition method of accounting. Acquisition cost includes, in addition to the consideration transferred, the fair value of issued shares and any liabilities acquired. For each acquisition, the non-controlling interest can be recognised at either fair value or as a relative share of the net assets of the acquiree. Acquisition cost exceeding the fair value of the acquiree's net assets is recognised as goodwill. If the acquisition cost is lower than the fair value of the net assets acquired by the Group, the difference is recognised directly in the consolidated income statement.

In significant business combinations, the Group uses an external advisor in determining the fair values of acquired assets and liabilities. Where possible, the fair values of acquired assets and liabilities are determined in accordance with their available market values. If market values are not available, the measurement is based on the estimated revenue-generating capacity of the asset item and its future purpose in KH Group Plc's business operations. In particular, the measurement of intangible assets is based on the present values of future cash flows, and this requires management estimates on future cash flows, discount rates and the use of the assets.

Business combinations during the review period

Following the cessation of KH Group Plc's investment entity status on 1 May 2023, the following subsidiaries and all of their respective subsidiaries were combined with KH Group:

- Indoor Group Holding Oy
- KH-Koneet Group Oy
- Nordic Rescue Group Oy
- HTJ Holding Oy

Discontinued operations

On 30 June 2023, KH Group announced it had signed an agreement on the sale of its Logistikas business to the Swedish logistics company Logent AB. The transaction was signed and completed simultaneously. More information on the transaction is provided in the Half-Year Report published on 17 August 2023. There were no material adjustment items to the final transaction price (KH Group's share EUR -0.0 million), and the related payment was made at the end of September.

Logistikas was deemed to meet the IFRS 5 criteria for a non-current asset held for sale on the date of the change in investment entity status on 1 May 2023, which was the company's acquisition date in accordance with IFRS 3. Consequently, the Logistikas business is classified as a discontinued operation, as it was, under IFRS 5, acquired exclusively with a view to resale.

Continuing and discontinued operations are presented separately in the consolidated income statement. The comparison figures have not been restated, as Logistikas Oy's profit had not been consolidated into the Group before the change of investment entity status on 1 May 2023. The discontinued operation's result for the period 1 January–30 September 2023 includes the capital gain of EUR 4.5 million arising from the transaction and the discontinued operation's profit of EUR 0.3 million.

Segment reporting

KH Group previously had only one operating segment, which was investment activity. Following the change in the company's strategy and the cessation of its investment entity status, the segments have been redefined effective from 1 May 2023.

The segments KH-Koneet, Indoor Group, Nordic Rescue Group and HTJ were formed on 1 May 2023 when the investment entity status changed. Thus, the income statements of those segments for the review period include only the period 1 May–30 September 2023.

Continuing operations 1–9/2023 EUR million	KH-Koneet	Indoor Group	Nordic Rescue Group	HTJ	Non-allocated	Group
Net sales	**65.3**	**80.4**	**15.4**	**11.5**	**0.0**	**172.5**
Net sales share, %	37.9%	46.6%	8.9%	6.6%	0%	100%
EBITDA	**-0.3**	**-0.9**	**1.4**	**1.8**	**-4.4**	**0.6**
Depreciation	-5.5	-8.9	-0.5	-0.4	-0.1	-15.4
EBIT	**-5.8**	**-8.1**	**0.9**	**1.4**	**-4.5**	**-16.1**
Financial items, net	-2.0	-1.8	-0.5	-0.3	-0.3	-4.9
Profit before taxes	**-7.8**	**-9.9**	**0.4**	**1.1**	**-4.8**	**-21.0**
Comparable EBITDA (1)	8.7	10.5	1.4	1.8	-4.4	18.0
Comparable EBIT (1)	3.5	1.6	1.1	1.5	-4.5	3.3
Assets, 30 September 2023	**142.2**	**162.8**	**24.7**	**29.1**	**7.1**	**366.1**
Interest-bearing net debt, 30 September 2023	**71.9**	**65.6**	**14.6**	**9.5**	**2.6**	**164.2**

1) Information about the comparable key figures is presented later in the section "Alternative performance measures"

Off-balance sheet liabilities and loan covenants

Business mortgages, EUR million	30 Sep. 2023	31 Dec. 2022
KH-Koneet	47.0	47.2
Indoor Group	65.5	65.5
HTJ	10.0	10.0
Nordic Rescue Group	14.7	14.7
Logistikas (presented as a discontinued operation)	-	13.0
Parent company	-	-
Group, total	**137.2**	**150.4**

Due to Indoor Group's weak financial performance, it did not meet the financial covenants of its financing agreement as of end of June and September 2023, which is why the loans are presented under current liabilities. After the end of the review period, Indoor Group has continued negotiations with the financing provider regarding both the deviation from the covenant terms at the turn of the year and the adjustment of the financing agreement to better correspond to the company's needs and business prospects. The outcome of the negotiations was that Indoor Group received the waiver from the financing provider to deviate from the covenant terms of the financing agreement.

Alternative Performance Measures

KH Group adheres to the guidelines issued by the European Securities and Markets Authority (ESMA) concerning Alternative Performance Measures (APM) when reporting certain other widely used performance measures in addition to IFRS performance measures. The accounting principles for these alternative performance measures are not defined in the IFRS standards. Consequently, they may not be fully comparable with the alternative performance measures presented by other companies.

KH Group believes that presenting alternative performance measures provides the users of the financial statements with better insight into the Group's financial performance, profitability and financial position. Comparable EBITDA and comparable operating profit (EBIT) are used to follow the profitability of the business in order to improve comparability between periods. Other alternative performance measures used by the company include return on equity (%), return on capital employed (%), gearing (%) (including lease liabilities and excluding lease liabilities) and equity ratio (%) and equity per share. All of the alternative performance measures and their comparison figures are calculated consistently between reporting periods unless otherwise mentioned.

Items affecting comparability

In its financial statements, the Group presents items that affect the comparability of EBITDA and operating profit (EBIT) in different reporting periods. From the Group's perspective, items affecting comparability must be exceptional and outside the course of ordinary business. The consolidation of subsidiaries resulting from the change in investment entity status had the following impact on the Group's result for the review period through the introduction of the acquisition method of accounting:

- When the acquisition method was introduced, the Group's inventories were measured at fair value rather than cost, resulting in a higher than ordinary inventory level measured in euros. As a result of this method, the Group's material and service costs do not correspond to the ordinary level for the fiscal year 2023.
- In connection with the introduction of the acquisition method of accounting, trademarks and customer relationships were recorded in the Group's balance sheet. Depreciation of these assets leads to the Group's depreciation level being non-ordinary during their depreciation period.

KH Group considers that adjusting these items will give users of the financial statements a better picture of the Group's profitability and financial performance.

The Group's key indicators

EUR million	1–9/2023	1–6/2023	1–9/2022	1–12/2022
Net sales	172.5	72.1	-	-
EBITDA	-0.6	-3.2	-8.5	-10.0
EBITDA, %	-0.4%	-4.5%	-	-
Comparable EBITDA	18.0	4.2	-8.5	-10.0
Comparable EBITDA %	10.4%	5.9%	-	-
Operating profit (EBIT)	-16.1	-9.3	-8.5	-10.1
Operating profit (EBIT) %	-9.3%	-12.9%	-	-
Comparable EBIT	3.3	-1.6	-8.5	-10.1
Comparable EBIT %	1.9%	-2.2%	-	-
Return on equity, %, rolling 12 months	-16.1%	-10.5%	-4.1%	-9.2%
Return on capital employed, %, rolling 12 months	-9.5%	-7.2%	-7.1%	-10.0%
Gearing, %	202.7%	187.1%	13.8%	14.9%
Gearing, excluding lease liabilities, %	80.2%	80.6%	13.6%	14.7%
Equity ratio, %	22.8%	23.8%	78.8%	77.9%
Personnel, average	1,326	1,326	5	5
Personnel, average, comparable (1)	1,326	1,326	1,353	1,265
Earnings per share, EUR, undiluted	-0.15	-0.06	-0.12	-0.14
Earnings per share, EUR, diluted	-0.15	-0.06	-0.12	-0.14
Shareholders' equity per share, EUR	1.39	1.51	1.49	1.47
Lowest share price, EUR	0.84	0.95	1.00	1.00
Highest share price, EUR	1.21	1.21	1.99	1.99
Share price at the end of the period, EUR	0.86	1.06	1.01	1.18
Market capitalisation at the end of the period, EUR million	49.9	61.6	58.8	68.4
Number of shares at the end of the period, 1,000	58,079	58,079	58,079	58,079
Average number of shares, undiluted, 1,000	58,079	58,079	58,079	58,079
Average number of shares, diluted, 1,000	58,079	58,079	58,146	58,124

(1) Change in investment entity status retrospectively taken into account in the comparable number of employees

Alternative Performance Measure	Calculation formula	Purpose
Comparable EBITDA	Comparable operating profit (EBIT) + Depreciation, amortisation and impairment	Adjusted EBITDA is considered to provide a comparable view of the operating result as compared to previous periods.
EBITDA	EBIT + Depreciation, amortisation and impairment	EBITDA is considered to provide an operative view of the business results.
Comparable operating profit (EBIT)	Operating profit - Items affecting comparability	Comparable operating profit EBIT is considered to provide a comparable view of the operating result as compared to previous periods.
Equity ratio, %	Total equity / (Balance sheet total - advances received) x 100	The equity ratio provides information on the debt financing used by the Group to finance its assets.
Interest-bearing liabilities	Loans from financial institutions + Lease liabilities + Other financial liabilities	The component is used in the calculation of gearing.
Interest-bearing net liabilities	Interest-bearing liabilities - Cash and cash equivalents	Interest-bearing net liabilities illustrate the total amount of the Group's external debt financing.
Gearing, %	Interest-bearing net liabilities / Total equity x 100	Gearing indicates the ratio of interest-bearing net debt to equity. It illustrates the company's capital structure.
Return on equity, %	Net profit for the period (rolling 12 months) / Total equity (average) x 100	The return on equity (ROE) percentage indicates how much return the company is able to generate on the equity invested in it by its owners.
Return on capital employed, %	(Profit before taxes + financial expenses) (rolling 12 months) / (Balance sheet total - non-interest-bearing liabilities) (average) x 100	The return on capital employed (ROCE) percentage indicates how much return the company is able to generate before taxes with the invested equity and financial liabilities in it.
Equity per share	Total equity / Number of shares at the end of the period	Equity per share indicates the amount of equity per share.

KH Group's financial disclosures in 2024

Financial Statements Release for 2023: Thursday, 21 March 2024

Annual Report 2023: week 13

Business Review January–March 2024: Tuesday, 7 May 2024

Half-Year Report January–June 2024: Friday, 16 August 2024

Business Review January–September 2024: Friday, 1 November 2024

Sievi Capital is now a conglomerate with a new name KH Group. Our four business areas are leading players in their sectors in B2B products and services and consumer trade. The objective of our strategy change is to focus on the business of the earth-moving machinery supplier KH-Koneet.
KH Group's share is listed on Nasdaq Helsinki.